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C O N F I D E N T I A L SECTION 01 OF 04 DILI 000224

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SUBJECT: FRETILIN PARTY CONGRESS: RECENT EVENTS SIGNIFICANTLY ALTER
PROGNOSIS

REF: A) DILI 222 B) DILI 167

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REASON: 1.4 (b)

11. (C) Summary. In light of the serious unresolved issues and current potential for unrest, Fretilin party leaders continue to discuss whether the party Congress should go forward as planned in Dili on May 17-19. Prime Minister Mari Alkatiri's public popularity, never his strong suit, is at its lowest point ever and many in the party now fear he could be a liability in the 2007 elections. However, he is a shrewd behind-the-scenes campaigner and commands the financial and structural resources of the party. Ambassador Jose Luis Guterres is still seen by many as having an excellent chance to defeat Alkatiri in the race for Fretilin Secretary-General, but the team he is working with has garnered little confidence from some potential supporters. The outcome may depend on a few prominent Fretilin leaders who have yet to decide whom to support. Among these, Aniceto Guterres, a former human rights lawyer and now a highly respected member of the bilateral East Timor-Indonesia Truth and Friendship Commission (TFC), may be most important. There are also concerns about whether the Fretilin Party Congress will be conducted democratically. Alkatiri critics accuse him and a few key supporters of buying delegate votes, using high-pressure tactics, and inciting fear, and they predict that more strong arm tactics are prepared should Alkatiri appear in danger of losing his position. End summary.

Congress to go as planned?

12. (SBU) The immediate question regarding the Fretilin Party Congress is whether it will be held as planned in Dili from May 17-19. Public statements by Alkatiri in the last few days have emphasized that the Congress will not be postponed, nor will the venue be changed. See Ref A. However, Embassy sources report that serious discussions about a possible postponement are nonetheless underway. Alkatiri may be attempting to delay the Congress but publicly distance himself from such a decision, which will formally be taken this weekend during the Fretilin

Central Committee (CCF) meeting. Separately, we have also heard that discussions continue about possibly relocating the Congress to the eastern city of Baucau, despite the Prime Minister's May 9 announcement that he supports holding the conference in Dili as previously planned. In addition to questions regarding the date and location of the Congress, there is concern that security concerns could deter some delegates from attending, regardless of where and when the Congress is held. This concern will be greater if the Congress is held in Baucau where many western delegates might be unwilling to go.

Alkatiri: Strengths and Vulnerabilities

13. (SBU) The consensus among political observers is that the events of the last two weeks have seriously eroded Alkatiri's chances for reelection as Fretilin's Secretary General. Many observers have noted that he appears to be frustrated with his current situation and uncharacteristically uncertain regarding how to proceed to regain political strength. However, his chances are still calculated at about 50-50, given his continued strength within the party, weaknesses on the part of his opposition within the party, and the role of Alkatiri and his allies in the delegate selection process that took place over the last several months.

STRENGTHS

-- Alkatiri has the loyal party machinery and substantial funds behind him and may still employ these to strong arm or otherwise influence the delegates. Alkatiri's supporters are said to be campaigning hard for him and are reportedly engaged in vote buying.

-- He is a skilled behind-the-scenes campaigner, who has consistently shown his ability to garner the support he needs despite his lack of popularity with the public.

-- Many still see Alkatiri as the only candidate able to provide the strength and competence to run the Government. However,

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Ambassador Guterres has hinted broadly that if elected Secretary General he would not ask the party to select him as Prime Minister but would instead endorse Foreign Minister Jose Ramos-Horta, who is a popular and experienced leader. Although Ramos-Horta has publicly endorsed Alkatiri for re-election, he is personally close to Ambassador Guterres and would be virtually certain to accept an offer to serve as transitional Prime Minister through the 2007 elections.

-- Sources say that despite recent internal tensions Alkatiri's core supporters, such as Minister for State Administration Ana Pessoa, are pulling together as they see solidarity as their only ticket to political survival.

VULNERABILITIES

-- The events of the last two weeks have resulted in Prime Minister Alkatiri's public popularity dipping to probably the lowest point ever. Public trust in his leadership has been almost completely undermined by the widely held perception that blame for the current situation ultimately lies with his government and that he continues to mishandle the situation.

-- Many within Fretilin now are concerned that Alkatiri will be a significant liability to the party in the 2007 elections. Some are convinced that an Alkatiri-led Fretilin will lose, others that it will still win but with a much slimmer margin of victory.

-- Many of the delegates to the Party Congress are reported to be willing to be critical and independent minded, and therefore potentially impervious to Alkatiri strong-arm tactics. Fretilin sources report that some reliable Alkatiri supporters failed in their bids to be elected as delegates. It is also important to note that party rules require that the delegates to the Congress elect a Secretary General by secret ballot.

-- Alkatiri's apparent calculation that he could strengthen his position by having the F-FDTL by his side has backfired seriously. Rather, his association with recent F-FDTL actions

has weakened his position.

-- His attempts to undermine President Xanana Gusmao's power have also backfired as he severely underestimated the durability of Gusmao's popularity. Despite some public displays of solidarity, Gusmao is known to be unhappy with Alkatiri's handling of the situation. Although he has made several public appearances with Alkatiri, he has been mostly silent in recent days. It appears that rather than continuing his previous efforts to co-operate with Alkatiri to resolve the current crisis, President Gusmao now hopes the Fretilin Congress to resolve the crisis by removing Alkatiri. (Embassy will report on the President's views septel.)

Guterres: Strengths and Vulnerabilities

14. (SBU) Although other candidates could still emerge in the race for Secretary General, so far the only challenger to Alkatiri remains Ambassador Jose Luis Guterres. Key political sources describe his chances of winning as having increased dramatically in recent weeks. More and more opposition factions within Fretilin are said to be uniting around him and even some staunch Alkatiri supporters are said to be considering a shift in alliances. However, he has spent the overwhelming majority of his time during the last four years in New York and did not return to Timor to campaign until very recently. More importantly, Ambassador Guterres' support comes from an uneven assortment of personal friends, genuine reformers, and Alkatiri opponents of various stripes, some of whom do not command the same respect as the Ambassador himself.

STRENGTHS

-- Guterres is widely liked and respected and viewed as having the competence and gravitas to lead the country. Despite his long absence from the country for his ambassadorship to the United Nations and the United States, he remains well known.

-- In conversations with Emboffs as in his public statements, Guterres has conveyed a strong and consistent message focused on national unity, transparency in governance, and the need for increased openness to dialogue with the opposition and civil society, particularly including the Catholic Church. Especially in the current environment, this message is likely to resonate strongly.

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-- An increasing number of the various anti-Alkatiri factions are reportedly coalescing around Guterres.

-- Guterres also may be attracting the interest of some previously staunch Alkatiri supporters, although this is hard to confirm as most are still weighing their options and are not divulging any plans they may have to switch sides.

VULNERABILITIES

-- Guterres has very little time to develop an effective campaign and to build networks in the districts. Having only made his intentions to run known less than two months ago, he has spent only a few weeks in Timor during the run-up to the Congress.

-- Some of the people and factions with whom he is linked so far do not instill confidence among other potential supporters. These primarily include members of the "Group of 20" or "renovators", who are generally not taken seriously within the party. Other potential allies who could accelerate his momentum, such as Aniceto Guterres (see below), have not yet decided whether to support him.

-- So far Ambassador Guterres has no clear running mate for Fretilin Party President, the second-ranking position in the party. Many potential supporters are waiting to see whom he selects. In a recent conversation with Emboff he identified Egidio de Jesus, the Secretary of State for Region III, as a possible candidate for party president. However, de Jesus is a relative unknown and it is hard to see what benefit he would bring to Guterres' campaign.

Aniceto Guterres Emerging as Possible Kingmaker

¶5. (C) The allegiances of several key players remain unknown or undecided, but could be determinative in the Congress's outcome.

Of these, Aniceto Guterres --- formerly East Timor's most prominent human rights lawyer and head of the Commission for Reception, Truth and Reconciliation (CAVR) and current member of the bilateral Truth and Friendship Commission (TFC) --- seems to be emerging as the key potential kingmaker. According to Embassy sources both the Alkatiri and Guterres camps are avidly courting him. In addition, he is still being pressured by some in the party to run for the Secretary General position. He has also been mentioned as a possible candidate for President on a ticket with Ambassador Guterres. To date, however, Aniceto Guterres has indicated that he is deeply reluctant to run for either of these positions and apparently remains undecided regarding whom he will support at the upcoming Congress.

¶6. (C) In a conversation with Emboff on May 10, Aniceto Guterres conveyed his opinion that there is no candidate strong enough to replace Alkatiri, describing Ambassador Guterres as "strong but unpredictable" and lacking sufficient time to mount a proper campaign. However, he continued, an Alkatiri-led Fretilin will, in his opinion, lose the 2007 elections. He appeared to be deeply uncertain about how to proceed. He said he prefers to not run for any Fretilin office, but he did not foreclose the possibility of joining the Ambassador Guterres ticket as the candidate for President of the party if he determines during the Congress that there is no other alternative. On the other hand, he also indicated that he might be receptive to continued leadership by Alkatiri if accompanied by significant changes to the party structure leading to a democratization of decision-making.

¶7. (SBU) Meanwhile, Abel Ximenes, the recently resigned Minister for Development, remains another unknown quantity in the race. He has recently been rumored to be joining Ambassador Guterres' campaign, but so far is keeping his options open and still considering a run for Secretary General. Another individual whose allegiance is considered important is Aderito Soares, a well-known lawyer and human rights activist. However, Soares reports that he is currently advising both the Alkatiri and Guterres camps, despite his assessment that Guterres may be the best available option.

¶8. Comment: The range of opinion among the Fretilin party activists with whom Emboffs discussed the upcoming Congress differs markedly from the widespread public belief that Alkatiri will lose unless the Congress is postponed. Recent

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conversations with senior Timorese leaders including President Gusmao, Foreign Minister Ramos-Horta, and Bishop Basilio Nascimento suggest that these leaders also believe Ambassador Guterres is the likely winner. (These conversations will be reported in septels.) Ultimately, however, the matter will be decided not by these leaders or by the public but by about 600 Fretilin party regulars. The insiders' consensus appears to be that Alkatiri is in serious danger but cannot be counted out.
End comment.
REES